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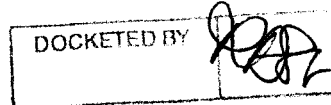
ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

January 24, 2011

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Commissioner Brenda Burns
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Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

Arizona Corporation Commission
DOCKETED

JAN 24 2011



Re: APS Home Energy Information Pilot Program
Docket No.: E-01345A-10-0075

Dear Commissioners:

APS requests approval to implement a voluntary pre-pay pilot program as one component of its Home Energy Information Pilot Program ("HEI Pilot"). Staff recommends the Commission should reject the pre-pay pilot program in this docket but that the Commission could consider it in a separate docket. RUCO believes that the pre-pay pilot program could appropriately be included in the HEI Pilot Program because:¹

- (1) a pre-pay program contains inherent incentives to use electricity wisely that are absent from traditional payment methods, and
- (2) it is voluntary and customers who participate in the pre-pay program pay no set up fees, no late fees, no reconnect fees, and enjoy the same rates as other residential customers.²

¹ RUCO did not intervene in this case. This letter serves as public comment.

² According to the Application, prepaid customers can participate in the standard rate, time of use plans and the TOU super peak plans (E-12, E-12 low income, ET-1, ET-1 low income, ET-2, ET-2 low income, ET-SP)

Pre- Pay Program incents conservation and wise energy use

From RUCO's perspective, it only makes sense that a prepaid program would result in consumption modification. Prepaid programs have an inherent incentive to conserve electricity that is absent with traditional post-consumption payment plans. RUCO's opinion is supported from data collected from SRP's existing prepaid program. **SRP reports that customers who moved to their pre-paid plan have reduced their annual energy use by an average of 12%.**

A cursory internet search revealed some articles describing the conservation effect of prepaid programs. Some of the articles are attached for your review.

The Staff Report notes that a prepaid program does not meet the literal definitions of demand response, energy efficiency or load management as defined by Commission Rule.

Commission Rules defines "demand response" as:

"Modification of customers' electricity consumption patterns, affecting the timing or quantity of customer demand and usage, achieved through intentional actions taken by an affected utility or customer because of changes in prices, market conditions, or threats to system reliability."

RUCO contends that a prepaid program can "affect the timing or quantity of customer demand and usage achieved through intentional actions taken by an affected ... customer". RUCO, however, admits that this change is not due to "changes in prices, market conditions, or threats to system reliability" but rather due to the timing of the payment.

Pre- Pay Program gives the family a new option to manage its finances.

The pre-pay program allows a customer to pre-pay for their electricity in an amount that fits within the family budget. With a smart meter, the family can watch their consumption and decide how much more money to pay for an additional amount of pre-paid electricity.

Located at the end of one of the internet articles I attached is one comment:

"Now, some people are asking for prepaid meters because they can buy electricity in increments as small as \$1 or \$5 at some 62 kiosks in the Phoenix area. 'We think this gives people their dignity back', says Ms. King. 'It gives them more control over their use and payment than they ever had before.'"

APS is asking for \$2 million to recover costs for the pre-pay pilot program. While RUCO lacks the expertise to determine whether \$2 million is an appropriate funding level, RUCO understands that new programs do come at a cost. And, if that program can reduce energy consumption and defer the need to construct new generation in a cost-effective manner, then that is a pilot project that RUCO can support.

Thank you for your consideration of my public comment.

Sincerely,

A handwritten signature in cursive script, reading "Jodi A. Jerich". The signature is fluid and stylized, with the first letters of each word being capitalized and prominent.

Jodi A. Jerich

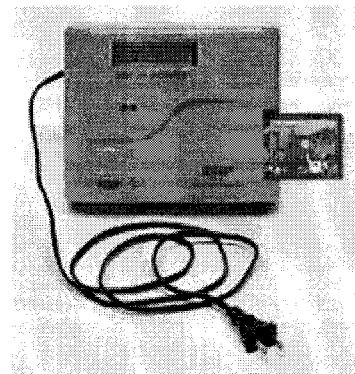
Cc: Steve Olea
Docket Control
Parties to the Docket

Prepaid meters: Pay-as-you-use consumption

Prepaid, or pay-as-you-go, meters were the first of these kilowatt-counting devices to reach the U.S. residential market. A half dozen or so utility companies nationwide currently offer the service to customers. Here's how they work for customers of the Salt River Project, a utility that serves more than 900,000 customers in the Phoenix area and whose M-Power plan is the biggest prepaid-electricity program nationwide, with about 50,000 customers, a figure that climbs each month:

After a customer contacts SRP to sign up for M-Power, a field worker replaces his standard electrical meter with one that communicates with a small in-home "user display terminal." That LED device (shown) plugs into a standard wall outlet.

The customer uses a smart card—which closely resembles a credit card—to purchase power remotely, either by charging the card at an ATM-like kiosk in SRP customer-service centers or many area supermarkets. The customer pays for electricity with cash or an EChex virtual check.



PLUG AND PAY The Salt River Project's user display terminal plugs into a standard wall outlet.

When the customer inserts the card into the display unit (shown) at home, the energy purchase amount on the card is transferred to the meter and is added to whatever is left on the meter. The display terminal indicates how much money is on the account, how many kilowatts the household consumed in the last hour, day, and month, how much that power cost in dollars and cents, and when, approximately, the account will need replenishment.

Prepaid services offer some clear benefits, but those programs are not without drawbacks. Having to purchase power remotely, possibly a car ride away, is inconvenient. There's also the possibility of a sudden, untimely cut-off of power if a homeowner forgets to "feed" the meter. Power is restored once the customer recharges the card and reinserts it into the display unit, but that could mean waiting until a customer-service center opens. (Those shutoffs can, of course, happen to utility customers who fall too far behind on their bills.)

SRP and other utilities with prepaid meters have tried to address service cutoffs. With the M-Power program's "friendly credit" feature, if a customer runs out of purchased power after 6 p.m. on weekdays or over a weekend or holiday, the power will not be shut off. The customer will retain normal service and the meter will record how much energy he used during the credit period. That amount will be deducted when the customer makes a subsequent energy purchase.

Prepaid plans can be a boon for credit-challenged. Not only does the plan eliminate a security deposit (for one utility, installation of a prepaid meter costs \$99 compared with a \$240 deposit for traditional service) and late fees, but it also forces customers to use only as much power as they can afford. During cash-strapped months, they'll have no choice but to cut back on consumption, where before they might have ignored how much electricity they were using, only to be hit with a bill they can't afford.

One of the unexpected benefits of prepaid meters has been decreased energy consumption, according to Jennie King, a principal planning analyst at SRP. "Conservation was not the primary driver, but a lot of customers have told us that the program helps them manage their energy usage," she says. She points to the fact that M-Power customers used on average 12.8 percent less electricity annually than regular customers in 2003, 2004, and so far in 2007.

Other utility companies with pay-as-you-go plans have reported similar conservation. Peter Price, a retired computer programmer from Sacramento, Calif., enrolled last year in the prepaid program offered by the Sacramento Municipal Utility District. "I like knowing where we stand with electricity consumption," he says, adding that his wife uses the clothesline more often now that she knows just how much running the dryer costs.

Even with the conservation benefits, prepaid meters are unlikely to pop up in many Americans homes. The concept,

common practice in the United Kingdom and South Africa, for example, is just too alien to Americans. "Americans seem to like their convenience," says Edward Pollock, a residential team leader in the building technologies program of the Department of Energy's Office of Energy Efficiency and Renewable Energy. But for homeowners who will put up with the hassle if it means avoiding the shock of a higher-than-anticipated monthly utility bill, prepaid meters are worth a look.

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Knowledge Problem

Commentary on Economics, Information and Human Action

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Electricity Retail Choice: Pay-As-You-Go Service

Lynne Kiesling

Today's Wall Street Journal has an excellent article from Rebecca Smith on pay-as-you-go electric service (subscription required).

Mr. Price, a retired computer programmer, drops by the office of his local utility, the Sacramento Municipal Utility District, every six to eight weeks and pays enough to cover a month or two of service. The credit is loaded on a smart card that he uses to download information into his home electric meter. The couple keeps track of the credit balance with the help of a small electronic display, located in the kitchen, which talks to the meter.

On a recent June morning, Mr. Price pushed buttons to see what the display box could tell him about his energy use. It said his 1,650-square-foot stucco home was using nine cents of electricity an hour. The home, built in 1969, had used \$1.02 of power so far that day, \$2.61 a day earlier and \$62.52 the prior month. Most importantly, it said he had enough credit remaining for about 28 days of use. "It tells you things you couldn't have known before," Mr. Price says of the box.

A half-dozen utilities are trying prepaid programs now, but that could accelerate quickly if Texas utility regulators approve rules this summer allowing it. Experimentation with prepaid-service meters is part of a broader trend that is changing the electric meter from a dumb recorder of kilowatt hours consumed into a conservation tool capable of helping people monitor their use and which will allow utilities to talk directly to customers.

This service offering illustrates several important points. Notice how the technology makes information about his energy use transparent to him, and it does so **in real time, not a month later when the bill arrives**. Notice also the connection that Ms. Smith correctly draws between that transparency, individual monitoring of electricity use, and conservation. Having the information in a transparent, advance, easy-to-access form makes it easier for individual customers to control and manage their own electricity use, thus creating the possibility of conservation by making costs transparent and making it easy for people to change their behavior in the face of those costs.

Ms. Smith also accurately points out that one of the barriers to this kind of product differentiation is regulation that purportedly "protects consumers":

So far, it's mostly municipal utilities that are offering prepaid service, in part because they do not need approval from state utility commissions to bypass the usual rules governing disconnections.

The "usual rules governing disconnections" prohibit utilities from shutting off service for non-payment during extreme weather seasons. The thing about the prepaid meter service is that the customer voluntarily takes on the responsibility for making sure the account is current, and can receive a service s/he values in return. So how is this archaic regulatory provision protecting that customer? I hope that we are starting to see this "protection" change, albeit slowly.

I had a prepaid meter when I was living in England in 1990, on the bleeding edge of electricity privatization there. At the time I didn't like it, because I was living in a pretty squalid flat with few creature comforts, and I was a graduate student, so I didn't have much money anyway. But the nice thing about the prepaid meter was that I could take out the smart card when I was not home, so I knew I was spending the least possible amount on my

electricity. That felt empowering, as noted in the WSJ article:

Now, some people are asking for prepaid meters because they can buy electricity in increments as small as \$1 or \$5 at some 62 kiosks in the Phoenix area. "We think this gives people their dignity back," says Ms. King. "It gives them more control over their use and payment than they ever had before."

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This entry was posted on Tuesday, June 19th, 2007 at 11:02 am and is filed under Economics, Electricity. You can follow any responses to this entry through the RSS 2.0 feed. Both comments and pings are currently closed.

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4 Responses to *Electricity Retail Choice: Pay-As-You-Go Service*

Buzzcut says:

June 19, 2007 at 2:09 pm

I guess that's one way to address "energy vampires" like DVD players and receivers that draw significant wattage even when they're supposedly off. Pull out the smart card when you leave the house, and the vampires are shut down.

But you'd always be setting the time on all your devices, and god knows how much food you'd spoil in the fridge!

anthony says:

June 19, 2007 at 10:51 pm

I seem to recall that in several of these programs the rates (per kWh) for prepaid service were higher than the rates for traditional service. Doesn't that result in people paying more for the right to have the ability shut them off more easily?

While there are some intriguing aspects of this concept, poor rate design could easily lead to prepaid metering increasing the energy cost burden on low income households.

Jeff McCray says:

June 20, 2007 at 11:43 am

You would think that pre-paid services would be less expensive, since the utility knows it will be paid. Eliminating the credit-risk should lower the price, since there will be no bad debts with these customers....

How much are these meters?

UtiliFlex says:

May 7, 2008 at 4:26 pm

Rather than requiring a special meter, utilities are now moving to more advanced "smart" meters that have two-way communication and remote disconnect capability so any meter can function in a prepaid capacity. The meters also provide current use/balance information to the consumer via cell phone, web, etc.

Our experience has been that prepayment customers purchase electricity 3 times a month on average. Customers then monitor their usage so that they make it until the next payday. It's not intuitive, but customers end up loving it because it puts them in control (they never receive a bill).

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